

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4497-01
Bill No.: HB 1896
Subject: Taxation & Revenue-Sales and Use; Entertainment, Sports & Amusement; Health
Type: Original
Date: February 25, 2002

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
General Revenue	(\$3,275,000)	(\$4,230,000)	(\$4,530,000)
School District Trust	(\$1,091,667)	(\$1,410,000)	(\$1,510,000)
Conservation	(\$136,458)	(\$176,250)	(\$188,750)
Parks and Soil	(\$109,167)	(\$141,000)	(\$151,000)
Total Estimated Net Effect on All State Funds	(\$4,612,292)	(\$5,957,250)	(\$6,379,750)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
None			
Total Estimated Net Effect on All Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Local Government	(\$1,637,500)	(\$2,115,000)	(\$2,265,000)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 4 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials of the **Department of Revenue (DOR)** state this bill creates a sales tax exemption for health-benefit activities at a health and fitness center, which will reduce revenue to the state and local government. This legislation would have no administrative impact on DOR.

In a similar proposal, officials of the **Office of Administration, Budget and Planning (BAP)** state this proposal provides a sales tax exemption for specified items and services. Using the U.S. Department of Commerce, Bureau of Economic Analysis, BAP estimates the Missouri consumer spending on the category of items specified in the bill to be \$131 million for FY03 and \$141 million for FY04. BAP assumes that Missouri accounts for 1.8% of the national totals, which is Missouri's share of U.S. Personal Income. BAP assumes the increase in consumer spending for the years 2001-2004 would be approximately the average of the increase for 1999 and 2000.

Using the information provided by BAP and the U.S. Census Bureau, Statistical Abstract of the United States for 2000, **Oversight** estimates the state and local revenue loss to be \$6.2 million in FY03, \$8 million in FY04, and \$8.6 million in FY05.

This legislation would decrease Total State Revenue.

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
<u>Loss to State Funds:</u>			
General Revenue Fund	(\$3,275,000)	(\$4,230,000)	(\$4,530,000)
School District Trust Fund	(\$1,091,667)	(\$1,410,000)	(\$1,510,000)
Conservation Sales Tax Fund	(\$136,458)	(\$176,250)	(\$188,750)
Parks and Soil Sales Tax Fund	<u>(\$109,167)</u>	<u>(\$141,000)</u>	<u>(\$151,000)</u>
ESTIMATED NET EFFECT ON ALL FUNDS	<u>(\$4,612,292)</u>	<u>(\$5,957,250)</u>	<u>(\$6,379,750)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
<u>Loss - Cities</u>			
Reduction in sales tax revenue from health & fitness centers	(\$982,500)	(\$1,269,000)	(\$1,359,000)
<u>Loss - Counties</u>			
Reduction in sales tax revenue from health & fitness centers	<u>(\$655,000)</u>	<u>(\$846,000)</u>	<u>(\$906,000)</u>
ESTIMATED NET EFFECT ON LOCAL GOVERNMENT	<u>(\$1,637,500)</u>	<u>(\$2,115,000)</u>	<u>(\$2,265,000)</u>

FISCAL IMPACT - Small Business

This proposal would eliminate sales tax on dues to health/fitness centers. While small businesses could benefit from the cost savings, this proposal would not appear to have a substantial impact on small businesses.

DESCRIPTION

This act exempts from state sales taxes certain fees and dues paid to health and fitness centers. Fees and dues paid to health and fitness centers are exempt if they are paid solely for health-benefit activities; are separately stated on the bill; and do not include dues or fees for any other activities or services.

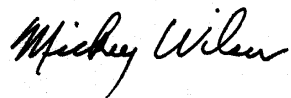
The act defines the term "health-benefit activities" and enumerates certain activities which either qualify or do not qualify as a "health-benefit activity".

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

KS:LR:OD (12/01)

Department of Revenue
Office of Administration
Budget and Planning
U.S. Census Bureau
Statistical Abstract of the United States (2000)

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive style with a large, stylized "M" and "W".

Mickey Wilson, CPA
Acting Director

February 25, 2002